

**The changing finances of
students studying in London:**
Evidence from the 2002/03
Student Income and Expenditure Survey

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for the Mayor of London

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THE CHANGING FINANCES OF STUDENTS STUDYING IN LONDON

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1 INTRODUCTION

This paper, commissioned by the Greater London Authority, examines the consequences for students of the introduction of tuition fees, and the abolition of grants and their complete replacement with student loans in 1998. It also assesses the potential impact of some of the proposed reforms to student funding arrangements announced in the government's White Paper *The Future of Higher Education*.² It focuses solely on full-time single and childless students aged 25 and under at the start of their course, studying in England and Wales.

The paper builds on an earlier study undertaken for the GLA on students in London.³ It draws primarily on data derived from the 1998/9 and 2002/03 Student Income and Expenditure Surveys (SIES).⁴ These surveys, originally commissioned by the Department for Education, collect comprehensive information on undergraduate 'home' students' income, expenditure, and debt. They are the sole source of comprehensive data on students' finances. By comparing data from the 1998/9 and 2002/03 surveys, we can demonstrate how students' finances have changed over time.

The 2002/03 Student Income and Expenditure Survey is particularly important because it is the first to show the impact of the government's 1998 reforms of student financial support. These reforms, contained in the 1998 Teacher and Higher Education Act, and subsequent regulations:

- introduced means-tested tuition fees;
- phased out mandatory grants for living costs and replaced them entirely with student loans which were partly means-tested; and
- established a different, and fairer, method of repaying loans.

¹ My thanks to David Wilkinson for help with the analysis of the SIES data.

² Department for Education and Skills (2003) *The Future of Education* Cm 5753, DfES, London

³ C. Callender and M. Kemp (2002) *Students Studying in London: An Analysis of Data from the Student Income and Expenditure Survey 1998/9*, Greater London Authority, London

⁴ C. Callender and M. Kemp (2000) *Changing Student Finances Income, Expenditure and the Take-up of Student Loans among Full and Part-time Higher Education Students in 1998/9*, DfEE Research Report No 213, Department of Education and Employment, Nottingham; C. Callender and D. Wilkinson (2003) *2002/03 Student Income and Expenditure Survey: Students' income, expenditure and debt and changes since 1998*, Research Report No 487, Department of Education and Skills, Nottingham

In 1998/99, new university entrants had to pay tuition fees, which were means-tested. By 2003/04, the maximum fee contribution was £1,125.⁵ Students entering university in 1999/2000 received support for living costs solely through student loans, rather than through a combination of grants and loans. A quarter of the loan was means-tested.⁶ The repayments on these loans were linked more directly to students' income once they graduated, and the income threshold – the point at which students had to start repaying their loans – was lowered to £10,000.

The amount of student loan a student can borrow varies depending upon their parents' income, where in the country they study, where they live during term-time, and their year of study. In recognition of the additional costs of living in London, students studying in London who live away from home qualify for larger student loans than students with similar living arrangements but studying outside the capital. This is important because it helps explain the amount of money London students receive from the student support system. Full details of the different loan rates are given in Table 1 in the Appendix.

Further changes to student financial support were proposed in the 2003 White Paper *The Future of Higher Education* and then subsequently in the 2004 Higher Education Bill.⁷ The proposals include:

- variable tuition fees of up to £3,000, to be paid after graduation via enhanced student loans;
- a means-tested Higher Education Grant of up to £1,000 for students from households with incomes below £21,185. The full grant will be paid to students from households within incomes of £15,201 or less;
- a rise in the student loan repayment threshold to £15,000; and
- Office for Fair Access to be set up - responsible for developing access agreements with universities before they can charge top-up fees.

2 CHARACTERISTICS OF STUDENTS STUDYING IN LONDON

The 2002/03 Student Income and Expenditure Survey only included full-time single and childless undergraduate students aged under 25 at the start of their course who were studying in England and Wales and were UK domicile. The characteristics of the students surveyed help explain their behaviour, their experiences, and hence, their financial circumstances.

Full-time students studying in London in 2002/03⁸ had distinct characteristics. They were more likely than those living outside the capital to:

- come from a minority ethnic group (39% compared with 9%);
- live at home with their parents (39% compared with 19%);

⁵ In 2003/04, students whose parents' residual income is £31,231 pay the full £1,125. Those whose income is between £20,970 and £31,231 pay part of the £1,125 and those with incomes of less than £20,970 pay no fees.

⁶ In 2003/04, students' whose parents' residual income is less than £31,231 qualify for the maximum loan.

⁷ See concluding section 11.2 of the paper for further changes outlined in the Bill.

⁸ In the 2002/03 SIES sample there were 225 London students and 1,024 students studying elsewhere in England and Wales – see Table 2.

- not to live in university provided accommodation (19% compared with 31%);
- not have taken out a student loan (21% compared with 15%); and
- be aged 21 and over (17% compared with 8%).

All these characteristics were inter-connected:

- Minority ethnic students (N=181) were far more likely to study in London than elsewhere in England and Wales. Nearly a half studied in London compared with 13 per cent of white students. They were also far more likely than white students were to live at home with their parents while studying (44% compared 19%), and not to have taken out a student loan (24% compared with 15%). Finally, minority ethnic students were more likely to be older than white students were; 14 per cent were aged 21 and over compared with 9% of white students.
- Students living at home while studying (N=279) were more likely than those living independently of their parents not to have taken out a student loan (29% compared with 21%), and to be older - aged 21 and over (13% compared with 8%).

3 LONDON AND NON-LONDON STUDENTS' INCOME IN 2002/03

In 2002/03, students studying in London had an average income of £5,997 over the academic year,⁹ 10 per cent more than students studying outside of London whose average income was £5,407 (Table 3).

The three most important sources of students' income were:

- the student support system;
- paid work; and
- the family.

3.1 Student support

- In 2002/03, just under a half (48%) of London students' total income came from the student support system, slightly less than students studying outside of London (52%) (Table 4).¹⁰
- Despite the larger student loans London students could obtain (Table 1); they received a total of £2,757 from the student support system, nearly the same, at £2,660 (Table 3), as those living elsewhere. This was because:
 - fewer London students took out student loans, and
 - many of those that did, were only eligible for the lowest rate because they lived at home with their parents.

⁹ By academic year, we mean from September/October 2002 to June/July 2003. However, because the academic year varies from university to university, the academic year for each student surveyed was calculated based on the actual dates of their academic year.

¹⁰ It should be recalled that the student loan is meant to cover expenditure over 52 weeks. However, we have calculated both students' income and expenditure over their actual academic term. In other words, our calculations of students' incomes over the academic over-estimate their income.

- Some 79 per cent of students studying in London had taken out a student loan compared with 85 per cent studying outside of London. This lower take-up rate was associated with the characteristics of the student body in London, and in particular, the inter-connection between their ethnicity, living arrangements, and loan take-up (Table 6).
- As we have seen, both minority ethnic students and those living at home while studying were over-represented among London students (Section 2). Both these two groups were far less likely to have taken out a student loan (Table 6) which in turn, helps explain London students' lower student loan take up rate. In addition, students living at home were eligible for much lower rates of student loans (Table 1). Together these factors help explain why the amount of money London students received from the student support system was only slightly higher than the sums received by non-London students.

3.2 Paid work

- In 2002/03, nearly a quarter (24%) of London students' total income was derived from paid work. This was a higher proportion compared with students studying elsewhere who obtained under a fifth (19%) of their total income from employment (Table 4).
- 68 per cent of students studying in London worked at sometime over the academic year,¹¹ a slightly smaller proportion than the 71 per cent studying elsewhere in England and Wales. However, students in London were more likely than those studying elsewhere to work during term time¹² - 60 per cent compared with 57 per cent (Table 5).
- In 2002/03, London students earned more over the academic year than students studying outside of London did; £1,432 on average compared with £1,033 (Table 3). This was because they worked longer hours and their average hourly pay was higher.
- London students worked an average of 15.4 hours per week in term-time and earned an average of £5.59 an hour in term-time. Students outside of London worked an average of 14.1 hours a week during term-time and were paid an average of £4.95 an hour (Table 5).¹³
- London students also worked for more weeks over the term. This was because they were more likely to have had the same job with the same employer over the year rather than a series of *ad hoc* jobs. A third of London students had such continuous jobs compared with under a quarter of non-London students. Consequently, they clocked up a larger number of hours over the term; 375 hours on average compared with 290 hours (Table 5).

3.3 Family

- In 2002/03, fewer London than non-London students received money from their family (80% compared with 89%). This was probably because more London students lived at home while studying. The parents of such students tended to help them in kind rather than in cash by subsidising their board and lodging.

¹¹ This includes anytime from September/October 2002 to June/July 2003 and includes the Christmas and Easter vacations.

¹² Term-time excludes the short vacations of Christmas and Easter.

¹³ The median number of hours they worked a week was 14 hours and outside of London it was 12.7 hours.

- Overall, however, London students received more money from their family than non-London students did; £1,482 compared with £1,277 (Table 3). This was because they were less likely to have taken out a student loan compared with those living elsewhere. Students without loans relied more heavily on their family for financial support, and received more financial help from their family.

3.4 The composition of students' income in 2002/03

Together, all these factors contributed to differences in the composition of London and non-London students' total income (Table 4). London students gained a higher proportion of their total income from paid work than those living outside the capital (24% compared with 19%) but a slightly smaller proportion from the student support system (48% compared with 52%).

4 CHANGES IN LONDON AND NON-LONDON STUDENTS' INCOME SINCE 1998/99

Since 1998/9,¹⁴ London students' total average income over the academic year has increased from £5,243 to £5,997.¹⁵ This represents a rise of 14 per cent above the underlying rate of inflation. By contrast, the average income of students studying outside of London rose from £5,137 to £5,407 in real terms, a real growth of 5 per cent (Table 3).

Following the replacement of grants with loans to cover students' living costs, students' sources of income have altered radically. By 2002/03, student loans and paid work were more significant than the family.

4.1 Student support

- The take up of student loans among London students increased from 63 per cent in 1998/99 to 79 per cent in 2002/03, and among students studying elsewhere in England and Wales from 74 per cent to 85 per cent (Table 6).
- Students in London, therefore, were less reliant on student loans than other students, but their take-up of loans has grown at a faster rate since 1998/99.
- Since 1998/9, the amount of money London students borrow also has risen more sharply compared with non-London students. Between 1998/99 and 2002/03, their income from student loans rose by 76 per cent in real terms compared with 70 per cent among non-London students (Table 3).

4.2 Paid work

- Another shift in students' income since 1998/99, has been their increasing reliance on paid work, especially term-time employment, to augment their student loans and the money they receive from their family.
- By 2002/3, 68 per cent of London students worked during term-time, up from 63 per cent in 1998/99, while for non-London students 71 per cent were working up from 64 per cent in 1998/99 (Table 5).

¹⁴ In the 1998/99 SIES sample there were 229 London students and 1,237 students studying outside of London - see Table 2.

¹⁵ All sums of money for 1998/99 have been updated in line with the underlying rate of inflation.

- Since 1998/99, London students' average earnings over the academic year have risen from £1,031 to £1,432, a growth of 39 per cent above average real earnings. Non-London students' earnings rose faster by 48 per cent in real terms over the same period, but from a smaller base – from £696 to £1,033 (Table 3).
- London students' higher earnings result from their longer hours of work and their higher hourly pay. Both of these have grown at a faster pace for London than for non-London students.
- Between 1998/99 and 2002/03, the average number of hours London students worked in term time increased from 309 to 375 hours, a rise of 21 per cent. Over the same period, the average number of hours non-London students worked grew from 290 to 253 hours, a rise of 15 per cent (Table 5).
- Similarly, London students' hourly pay has increased more sharply than that of non-London students. Since 1998/99, their hourly pay has risen by 17 per cent in real terms from £5.42 to £5.59 an hour, while non-London students' hourly pay has risen by only half as much, from £4.87 to £4.95 (Table 5).

4.3 The family

- Another change in students' income since 1998/9 relates to the financial support they receive from their family. Here, the situation of students in London and elsewhere is very different.
- Since 1998/99, the proportion of London students getting financial help from their family has not changed, while the average amount of money they receive has risen by six per cent in real terms. By contrast, the proportion of students studying elsewhere and receiving money from their family has fallen slightly. However, the amount they receive has dropped dramatically by 23 per cent in real terms (Table 3).
- As we have seen, students who did not take out a loan received the most generous help from their parents. Hence, the changes since 1998/99 in the amount of money London and non-London students received from their parents was associated with their respective take-up of student loans.
- As discussed above, loan take-up amongst students in London was lower than among those studying elsewhere (79% compared with 85%). Furthermore, it was particularly low among London students who lived with parents (73% compared 81% among similar students elsewhere), and among London minority ethnic students (75%) (Table 6). Both these two groups form a high proportion of London students. Therefore, the growth of parental support since 1998/99 among London students probably was linked to their relatively low student loan take-up rates.
- By contrast, among non-London students, parental contributions have fallen since 1998/9 because more of them were taking out loans, and more parents were dividing their help between their children's tuition fees and living costs.

4.4 Changes in the composition of students' income since 1998/99

- The net result of these changes is that the composition of students' income has altered radically since 1998/99. Both student loans and students' earnings have become much more significant components of students' total income while income derived from their family less so (Table 4).

- Student loans formed a much higher share of both London and non-London students' total income – almost a half compared with around a quarter in 1998/9 (Table 4).
- Similarly, London students' earnings now constitute almost a quarter of their total income compared with 18 per cent in 1998/9. By contrast, non-London students' earnings now form a fifth of their total income compared with 13 per cent in 1998/99 (Table 4).
- Family support now constitutes a quarter of London and non-London students' total income compared with 27 per cent of London students' income in 1998/9 and a third of non-London students' income in 1998/99 (Table 4).

5 LONDON AND NON-LONDON STUDENTS' EXPENDITURE IN 2002/03

The average expenditure of students in London over the 2002/03 academic year was £7,835, which was considerably higher than the expenditure of students attending universities outside the capital of £6,691. Most of this expenditure was spent on living costs (Table 8).

5.1 Housing costs

- Students' housing arrangements in and out of London were very different (Table 9), which had a considerable impact on their housing costs:
 - 39 per cent of London students lived at home with their parents compared with 19 per cent of non-London students;
 - 19 per cent of students studying in London lived in university accommodation compared with 31 per cent outside of London; and
 - 42 per cent of London students lived in other rented housing compared with 50 per cent of students studying outside the capital.
- Housing was far more expensive in London than elsewhere. However, London students' average housing costs of £1,563 a year were not much greater than those of students studying elsewhere who spent an average of £1,219 over the academic year (Table 7).
- This was because London students' housing costs were depressed by the high proportion who lived with their parents, most of whom paid nothing towards their housing.
- **Living with parents:** Students studying in London who lived with their parents only paid an average of £245 a year towards their housing costs while students studying elsewhere paid more on average, £306 a year. Moreover, 64 per cent of London students living at home with their parents paid nothing towards their housing compared with 77 per cent of students with similar housing arrangements studying outside of London (Table 10).
- **University accommodation:** Students in London who lived in university provided accommodation incurred housing costs of £2,014 on average over the academic year (a half paid over £2,553) while those in similar accommodation outside London paid an average of £1,304 a year – a third less (Table 10).¹⁶

¹⁶ Note only 42 students in London lived in university provided accommodation so these figures should be treated with caution.

- **Other rented housing:** Students in London living in other rented housing paid much higher rents than those in similar accommodation outside the capital. Their average rents amounted to £2,552 a year compared with just £1,509 for the same type of housing but outside of London. Thus, on average they paid £1,000 more over the academic year (Table 10).

5.2 Participation costs

- London students spent an average of £1,288 a year on their participation costs, a third more than students outside of London who spent £888, on average (Table 7). These costs consisted of expenditure on:
 - travel to and from university;
 - books, equipment and material; and
 - personal contributions to tuition fees.
- London students' higher expenditure was linked to their greater spending on travel, and on books and equipment.
- **Travel costs:** London students' higher expenditure on travel (£606 compared with £427, Table 11) was associated with their different patterns of travel, the larger proportion of students living at home, and the costs of public transport in London. Students living in London, especially those living at home and in rented accommodation, had to travel further to reach their university, and they used more expensive modes of transport compared with those living outside the capital. Moreover, the costs of public transport in London tended to be higher than similar transport outside of London.
- Well over a half (55%) of all London students travelled six miles or more to reach their university compared with just 18 per cent living outside the capital. Consequently, they were far more likely to use public transport (60%) to reach their university rather than walk or cycle (30%). In contrast, students outside London were much more likely to walk or cycle to university (57%) than use any form of public transport (30%).
- In addition, public transport in London was more expensive than elsewhere in England and Wales. Each London student relying on public transport to reach their university spent an average of £676 over the year, while those studying elsewhere using public transport each spent £451 on average.
- These factors particularly affected students living in other rented accommodation. In London, such students spent an average of £551 a year travelling to their university while those in similar accommodation but attending universities outside of London spent just £384 over the academic year. However, there was only a difference of £22 in the travel costs of students living at home in London and outside of London (£842 compared with £820).
- **Books and equipment:** London students' higher expenditure on books and equipment mostly can be accounted for by their larger spending on computing equipment. They spent twice as much as students living outside London (£307 compared with £129).
- **Tuition fees:** In theory, none of the students should have paid tuition fees themselves.¹⁷ Their fees should have been paid by their parents and/or their LEA. However, in practice, a third (33%) of London students, and a quarter (25%) of non-London students whose parents were assessed to contribute toward their

¹⁷ Except for a very small minority of students with a private income.

children's fees, failed to do so. Consequently, these students had to pay for their fees themselves, out of their own income. Each of these students in London had had to pay an average of £601 towards their fees while each of the non-London students paid an average of £760.

- It may be that the higher proportion of London students affected in this way was related to the higher proportion living at home with their parents.

5.3 Living costs

- Students in London spent a total of £4,985 over the academic year on their living costs while students living elsewhere spent less, £4,584 on average (Table 7). These costs consisted of expenditure on:
 - food and non-alcoholic drink;
 - personal items;
 - entertainment;
 - household items;
 - non-study related travel; and
 - other miscellaneous spending.
- London students spent more than students outside of London did on all these items of living costs, except for entertainment, and 'other' items (Table 12). This was mostly associated with the higher costs of living in London compared with other parts of England and Wales. However, some of these costs were depressed because of the large proportion of London students living with their parents. Their parents subsidised these costs in kind, for example, by providing them with food.
- London students' higher non-study travel costs was probably related to the expense of public transport in London compared with public transport elsewhere, as fewer students in London than outside of London owned a car (23% compared with 30%).
- Interestingly, however, London students spent 10 per cent less on entertainment than those living outside London (Table 12), which was linked to their alcohol consumption.
- Thirteen per cent of London students spent nothing on alcohol compared with eight per cent living outside London. In addition, even when London students drank, they spent less than those living outside the capital - £388 on average compared with £739.
- This was probably associated with the high proportion of minority ethnic students living in London, who tended to spend much less on alcohol compared with white students.

5.4 London allowances and the student loan

- London students' higher living costs raises the issue of the extent to which the London allowances contained within the student loan,¹⁸ for students living independently of their parents, were adequate to meet the extra costs of living in London.

¹⁸ It should be recalled that the student loan is meant to cover expenditure over 52 weeks but we have calculated students' expenditure over their actual academic term.

- It was only possible to calculate the adequacy of the London allowance for students from higher-income families who were not in their final year of study, because of the overall sample size of students studying in London.¹⁹
- The total expenditure of students from higher-income families living independently of their parents in London (and not in their final year) was £8,287 on average. The total expenditure for similar students living outside of London was £6,727 on average. In other words, the difference in average expenditure amounted to £1,560. So clearly, the London allowance in the student loan for students from higher-income families did not adequately cover their additional costs of living in London – at £680; it covered less than half these costs.²⁰

5.5 The composition of students' expenditure in 2002/03

The proportion of students' total expenditure absorbed by housing, participation and living costs was different for those in and out of London. London students spent a higher proportion on housing (20% compared with 18%) and participation costs (16% compared with 13%), but a lower share on living costs (64% compared with 69%) (Table 8).

6 CHANGES IN LONDON AND NON-LONDON STUDENTS' EXPENDITURE SINCE 1998/99

Since 1998/9, London students' total average expenditure over the academic year has increased from £6,412 to £7,835.²¹ This represents a rise of 22 per cent above the underlying rate of inflation. By contrast, the average expenditure of students outside of London rose from £5,905 to £6,691, a real growth of 13 per cent (Table 7).

Therefore, London students' expenditure has grown at a faster rate than the expenditure of students outside the capital. It has grown particularly fast for London students living at home with their parents. They saw their expenditure rise by 31 per cent in real terms (from £5,395 to £7,957) which was a much faster rise than either their London peers with other housing arrangements (whose expenditure rose by about 8%) or their peers outside of London whatever their living arrangements.

6.1 Housing costs

- The total average housing costs for London students fell by one per cent in real terms, and for students studying elsewhere by six per cent in real terms (Table 7). However, these overall falls, hide some underlying changes in students' living arrangements and significant variations in the costs of different types of housing.
- The small drop in housing costs for students in London was mainly due to the growing proportion living with their parents, who, as we have seen, had the lowest housing costs. In 1998/99, only 27 per cent of students in London lived with their parents, but by 2002/03 39 per cent did. These London students saw a

¹⁹As we have seen, the amount of student loan also varies by students' parental income and their living arrangements (Table 1). Thus, any calculations to assess the adequacy of the London allowances need to take into account these issues. However, such calculations were limited by the overall sample size. There were 47 students in the sample who were studying in London from higher-income families (i.e. parents' residual income was £30,502 and over), living independently of their parents and not in their final year of study but only 28 students from lower-income families.

²⁰The London allowance for equivalent students but from lower-income families is higher at £910.

²¹All sums of money for 1998/99 have been updated in line with the underlying rate of inflation.

real rise in their housing costs of 8 per cent from an average of £227 in 1998/99 to £245 in 2002/03 (Table 10).

- The sharp increase in the number of London students living with their parents was accompanied by a considerable drop in the proportion living in university provided accommodation; from 28 per cent in 1998/99 to 19 per cent in 2002/03.²² The costs of their housing, however, rose by 15 per cent in real terms, and at a faster rate than students living in halls of residence outside of London whose rents rose by 11 per cent in real terms. (Table 10)
- The proportion of London students in other rented accommodation has dropped very slightly since 1998/99 (Table 10). The costs of their housing rose by 11 per cent in real terms from £2,290 to £2,552.
- By contrast, students studying outside of London living in rented accommodation saw their housing costs fall by eight per cent in real terms (from £1,648 to £1,509 in real terms), reflecting the overall decline of rents in the private rented sector outside the capital (Table 10).

6.2 Participation costs

- Since 1998/99, the largest increase in students' total expenditure was associated with escalating participation costs. These rose at a faster rate for students in London than for those studying elsewhere (Table 7).
- The participation costs of students in London increased from £820 in 1998/9 to £1,288 in 2002/03, a rise of 57 per cent above the underlying rate of inflation. For students studying elsewhere, their costs rose from £733 in 1998/99 to £888 in 2002/03, a real growth of 21 per cent (Table 7).
- **Tuition fees:** These increases were primarily associated with the introduction of tuition fees since the 1998/99 SIES study was undertaken. In 1998/99, tuition fees only applied to first year students, but by 2002/03 tuition fees applied to students in all years.
- It is not possible to estimate changes in the proportion of London students whose parents failed to pay their assessed tuition fee contribution since 1998/99.²³ Nationally, in 1998/99 21 per cent of all 1st years students parents' had failed to pay fees compared with 26 per cent of all student (irrespective of their year of study) in 2002/03. The average amount students had to contribute personally to their fees also rose from £637 in real terms in 1998/99 to £721 in 2002/3, a real rise of 13 per cent.
- **Travel costs:** While most of the growth in students' participation costs was associated with the introduction of tuition fees, students' travel costs to and from university also increased above the rate of inflation.
- Students in London saw their travel costs spiral from £366 in 1998/99 to £606 in 2002/03; a real growth of 66 per cent. Students outside of London saw their travel costs rise from £333 to £427, over the same period, a real rise of 28 per cent (Table 11).
- The greater rise in the average travel costs of London students in part was related to the growth in the proportion of students in London who were living at home with their parents, and hence incurred higher travel costs.

²² Note only 42 students in London lived in university provided accommodation so these figures should be treated with caution.

²³ There were only 11 first year students in 1998/99 whose parents failed to pay their assessed fee contribution.

6.3 Living costs

- Between 1998/99 and 2002/03, London students' living costs rose at a faster rate than those of students' living elsewhere (Table 7).
- The living costs of London students rose by 24 per cent in real terms between 1998/99 and 2002/03 from £4,011 to £4,985. For students elsewhere, they only rose by 19 per cent from £3,868 in 1998/99 to £4,584 in 2002/03 (Table 7).
- Analysis of the components of living costs namely; food, personal expenditure, entertainment, household goods, non-study related travel, and 'other' expenditure showed that spending increased on all these categories for both London and non-London students, except for food where expenditure fell. Generally, these rises were greater for London students, especially on personal items, household goods, and non-study related travel (Table 12).

6.4 Changes in the composition of students' expenditure since 1998/99

- The net result of these changes is that students' patterns of expenditure have altered slightly since 1998/99 (Table 8). Students are spending a smaller proportion of their total expenditure on housing but a higher proportion on their participation and living costs.
- In 2002/03, London students' housing costs constituted a fifth of their expenditure compared with a quarter in 1998/99. By contrast, the housing costs of students outside of London absorbed just 18 per cent of their total expenditure compared with 22 per cent in 1998/99 (Table 8).
- In 2002/03, London students' participation costs made up 16 per cent of all their spending compared with only 13 per cent in 1998/99. By contrast, among non-London students these costs made up just 13 per cent of their total expenditure in 2002/03, a rise of just one per cent since 1998/99 (Table 8).
- London students' living costs absorbed 64 per cent of all their expenditure, which has hardly changed since 1998/99. By contrast, non-London students' living costs made up 69 per cent of their total expenditure in 2002/03 compared with 66 per cent in 1998/99.

7 LONDON AND NON-LONDON STUDENTS' SAVINGS, BORROWINGS AND DEBT IN 2002/03

7.1 Savings

- In 2002/03, more London students had savings than those studying elsewhere did (43% compared 39%), and they also had slightly higher average savings - £1,097 compared with £982.

7.2 Borrowings

- In 2002/03, fewer London than non-London students had borrowed (89% compared with 94%) but they borrowed more on average; £6,908 compared with £6,387 (Table 13).
- The smaller proportion of London students with borrowings was associated with their lower take-up of student loans because most of students' borrowings consisted of student loans (Table 13).

- Money from student loans accounted for 87 per cent of all London students' borrowings, and 84 per cent of non-London students' borrowings. Overdrafts accounted for a further 9 per cent of London students' borrowings, and other sources of commercial credit such as credit cards accounted for another 3 per cent. The equivalent figures for students studying elsewhere were 12 per cent and 3 per cent respectively (Table 14).
- Students in London were not only less reliant on student loans as a source of borrowing, but also they were less likely than students studying elsewhere to have taken on any sort of commercial credit. Only 58 per cent owed money to commercial creditors compared with 70 per cent of students studying elsewhere. In addition, they owed less; £881 on average compared with £1,009 for non-London students.

7.3 Debt

- By the end of the 2002/03 academic year, 85 per cent of London students anticipated being in debt compared with 88 per cent of students studying elsewhere.²⁴
- London students expected to owe an average of £5,811, once their savings had been taken into account, while students studying outside of London expected to owe £400 less - £5,405.

7.4 Debt on graduation

- 90 per cent of London students graduating in 2002/03 (N=73) anticipated leaving university with debts compared with 92 per cent of students studying elsewhere (N=319) (Table 17).
- London students expected to leave university with an average debt of £9,681, but a half expected to leave with debt of over £11,239. Students living elsewhere anticipated graduating with considerably lower debts of £8,432, while a half thought their debts would be over £9,478 (Table 15).
- Thus, London students were 15 per cent more in debt when they graduated than students who had studied elsewhere.

8 CHANGES IN LONDON AND NON-LONDON STUDENTS' DEBT ON GRADUATION SINCE 1998/99

- In 2002/3, 90 per cent of students in London anticipated leaving university with debts compared with 79 per cent in 1998/9. In other words, the proportion of students who expected to finish university with debts had risen by 11 per cent since 1998/99. Similarly, by 2002/03 11 per cent more students studying outside of London anticipated leaving with debts, with the proportions rising from 81 per cent in 1998/99 to 92 per cent in 2002/03 (Table 17).
- Both London and non-London students graduating in 2002/03 expected to finish university with debts two and a half times greater than students graduating in 1998/99 (Table 16).
- Between 1998/99 and 2002/03, the average anticipated level of student debt on graduation for London students rose from £3,978 in real terms to £9,681 – a rise

²⁴ Student debt takes into account any savings students may have, unlike their borrowings.

of 143 per cent above the underlying rate of inflation. For students outside of London their average debt on graduation rose from £3,387 in 1998/99 to £8,432 – a real rise of 149 per cent (Table 16).

- Since 1998/9, the composition of the debt students expected to leave university with has also changed. For London students, their student loans now constitute 88 per cent of all their outstanding debt, up from 79 per cent in 1998/99. For students studying elsewhere their loans make up 84 per cent of their debt compared with 74 in 1998/99. Thus, a lower proportion of students' total borrowings is now derived from commercial sources of credit and overdrafts (Table 15).
- However, the average amount of money students borrow from these commercial sources has risen very sharply, especially for London students. For example, since 1998/99, their borrowings through credit cards, bank loans, and HP has more than quadrupled in real terms - from £74 to £358 (Table 16).
- In turn, this is partly explained by the increasing proportion of students both in London and elsewhere who rely on credit cards and bank loans. Five per cent more students graduating in 2002/03 than those graduating in 1998/99 had borrowed against their credit cards (20% compared with 25%). The rise of nine per cent was even steeper for students outside of London (25% compared with 34%) (Table 17).
- By contrast, fewer London students who graduated in 2002/03 than those graduating in 1998/99 left university with overdrafts. The proportion fell from 70 per cent in 1998/99 to 58 per cent in 2002/03. Yet, students from outside of London were becoming more dependent on overdrafts. Since 1998/99, six per cent more left university with overdrafts (Table 17).

9 SHORTFALL IN LONDON AND NON-LONDON STUDENTS' INCOMINGS AND OUTGOINGS IN 2002/03

- Over the 2002/03 academic year, London students augmented their income by:
 - withdrawing an average of £382 from savings;
 - increasing their overdrafts by £280;
 - taking out new commercial credit commitments amounting to £235; and
 - borrowing £28 from friends and relatives (Table 18).
- Students outside of London withdrew a similar sum of money from their savings. They increased their overdraft by £425 but only took on £153 worth of new commercial credit (Table 18).
- Through these sources, London students increased their average 'incomings' by £925 to a total of £6,922 over the academic year while non-London students increased their incomings by £1,004 to a total of £6,411.
- There often were costs associated with these ways of boosting income. London students' outgoings increased by:
 - servicing their commercial loans and hire purchase repayments by an average of £314; and
 - putting an average of £314 into savings.

- Students outside of London increased their outgoings by smaller amounts:
 - servicing their commercial loans and hire purchase repayments by an average of £93; and
 - putting an average of £110 into savings.
- Thus, London students' spending over the academic year increased by £579 on average, so that their total 'outgoings' amounted to an average of £8,414 while non-London students spending increased by £203 to a total of £6,894 (Table 18).
- This leaves a shortfall between total 'incomings' and 'outgoings', an overspend of £1,492 for students in London and a much smaller overspend of £483 for students studying outside of London (Table 18).
- Overall, 72 per cent of students in London experienced a shortfall between their incomings and outgoings, a much higher percentage than the 59 per cent of students studying outside the capital experiencing a shortfall.

10 CHANGES IN SHORTFALL IN LONDON AND NON-LONDON STUDENTS' INCOMINGS AND OUTGOINGS SINCE 1998/99

- London students' total incomings increased by 12 per cent in real terms between 1998/99 and 2002/03 from £6,178 to £6,922, while the total incomings of students studying elsewhere rose by just two per cent from £6,270 to £6,411 (Table 18).
- As we have seen, between 1998/99 and 2002/03 London students' income increased from £5,243 to £5,997 (Table 3) so their other incomings were virtually unchanged between the two years at £935 in 1998/99 and £925 in 2002/03. Similarly, the income of students studying elsewhere rose from £5,137 to £5,407 (Table 3). Consequently, their other incomings also remained stable at £1,133 in 1998/99 and £1,004 in 2002/03.
- However, the composition of their incomings has changed since 1998/99. By 2002/03, students in London had taken on more new commercial credit instead of withdrawing money from their savings as students in 1998/99 had done. Students outside of London also did not rely on their savings but, unlike London students, they did not take on substantial new credit commitments (Table 18).
- London students' total outgoings increased by 26 per cent between 1998/99 and 2002/03 from £5,668 to £7,168 in real terms. However, the total outgoings of students studying outside the capital rose by only half as much - by 12 per cent from £6,148 to £6,894 (Table 18).
- As we have seen, London students' expenditure increased from £6,412 in 1998/99 to £7,835 in 2002/03 (Table 7). Their other outgoings nearly doubled from £290 in 1998/99 to £579 in 2002/03. By contrast, the outgoings of students studying outside of London actually fell from £244 in 1998/99 to £203 in 2002/03.
- London students' outgoings rose because of the new credit they had taken on and because they put more money into savings.
- The shortfall between London students' total incomings and outgoings rose from £525 in 1998/99 to £1,492 in 2002/03, nearly a threefold real rise above inflation. By contrast, students studying elsewhere experienced no shortfall between their income and expenditure in 1999/99, but a shortfall of £483 in 2002/03.

- In other words, the gap between students' total incomings and outgoings has widened over time primarily because of the disparity between students' total income and expenditure and a rise in outgoings.
- In addition, the proportion of students affected by this growing shortfall has increased at a much faster pace for students in London compared with those studying elsewhere. In 1998/99, just over a half (54%) of London students experienced a shortfall but by 2002/03 nearly three-quarters had a shortfall – a rise of 18 per cent. In contrast, in 1998/99 under a half (48%) of students studying elsewhere had a shortfall but by 2002/03 the proportion had risen 59 per cent – an increase of just 11 per cent.

11 THE REFORMS OF STUDENT FUNDING

The 2002/03 Student Income and Expenditure Survey included full-time single and childless undergraduates aged under 25 at the start of their course who were studying in England and Wales and were UK domiciled. Thus, the findings from this study relate only to a sub-set of the UK student population.

11.1 The impact of the 1998 reforms of student funding

The 2002/03 Student Income and Expenditure Survey is particularly important because it is the first study to show the impact of the government's 1998 reforms of student financial support. By comparing data from the 1998/9 and 2002/03 surveys, we can demonstrate how students' finances have changed over time as a result of these reforms.

The 1998 reforms of student funding, which saw the introduction of tuition fees and the abolition of student grants, have transformed who shoulders the financial burden of going to university. They have shifted much of this financial responsibility from the state to students, and from students' families to students themselves.

The abolition of grants have meant that more students are taking out loans to pay for their living costs and more are engaging in term-time employment. Thus, more students personally have to pay towards the costs of their education rather than these costs being met by the state or students' parents. However, some students are trying to minimise their costs and debts by living at home with their parents. Students in London have been particularly affected by these developments since 1998/99.

11.1.1 Student debt

As we have seen, the take-up of student loans among London students has risen at a faster pace than for students outside of London. Similarly, the size of their borrowings has grown faster compared with non-London students.

Inevitably, with more students taking out loans and borrowing larger sums, their debts, especially to the Student Loans Company, have escalated. For instance, London students graduating in 2003 owed £9,563 on average to the Student Loans Company - over £6,000 more than students graduating in 1998/99. By contrast, students studying elsewhere who graduated in 2002/03 owed an average of £7,704 - over £4,000 more than students graduating in 1998/99 (Table 15). Thus, by 2002/03, students graduating from a university in London were 24 per cent more indebted to the Student Loans Company than students graduating from universities outside of London were.

The net result is that students graduating from a university in London in 2002/03 were nearly £2,000 more heavily in debt than those graduating from universities elsewhere in England and Wales. Therefore, student debt affects London students more.

But, debt is unequally distributed socially. National data²⁵ show that students who are poor before going to university, are more likely to be in debt and to leave university with the largest debts, while better off students are less likely to have debts, and leave with the lowest debts. In 2002/3, students whose parents' annual income was less than £20,480 owed an average of £9,708, and half owed over £10,392. Students with parental incomes over £30,502 owed just £6,806. Therefore, the poorest students were 43 per cent more in debt than the richest. Student debt is a class issue.²⁶

This has serious implications for government policy. Poorer students personally have to take more responsibility for the costs of their education than ever before, and more responsibility than wealthier students do. Thus, the policies, in effect, are regressive because poorer students have to pay relatively more towards their education.

11.1.2 Paid work

A further shift in students' income since 1998/99, is their increasing dependence on paid work to augment their inadequate student loans and the money they receive from their family. It is a direct consequence of the abolition of grants and the introduction of tuition fees. However, this development particularly affects London students who are more heavily reliant on their income from paid work than students studying elsewhere. Their wages are higher and form a larger share of their total income.

Term-time working is a class issue too. The students most likely to work, and to work the longest hours, come from the poorest families. For instance, in 2002/03, 62 per cent of students studying in London from the lowest social class worked in term-time (N=51) compared with 58 per cent of students from the highest social class (N=108). London students from the lowest social classes worked an average of 16 hours a week while those from the highest worked 15.5 hours a week.

Most students work for financial reasons rather than to enhance their employability. Poorer students have to work to survive financially because student loans are inadequate. Many also work to reduce their borrowings or avoid taking out a loan altogether because of their concerns about accumulating debt. Unlike, their more affluent peers, they cannot depend on their parents for financial help. For instance, in 2002/03 students in London from the lowest social classes received a third less money from their family than students from the highest social classes.

Students, however, reap few benefits from working which is not surprising given that they are concentrated in unskilled and low paid jobs. Instead, they trade time studying for money, undermining their academic performance, depressing their final

²⁵ C Callender and D Wilkinson (2003) op cit

²⁶ It is not possible to provide similar data for London and non-London students because the overall sample of London students was too small. There were only 73 cases of London students in their final year.

degree results, and putting at risk their successful course completion. Research²⁷ shows that students who work in term-time obtain poorer degrees than those who do not work, and the more hours they work the greater the detrimental effect. For instance, a student working 16 hours a week has between a 10 to 60 per cent relative chance of getting a poorer degree grade (2ii or below) than a similar non-working student. In turn, lower degree results are likely to affect these students' job opportunities and life chances.

Again, this is particularly likely to affect students studying in London, as they are more likely to work and to work longer hours on average than students studying outside of London. However, the poorest and most disadvantaged students tend to be hardest hit, as they are most likely to work in term-time.

11.1.3 Shortfall between students' income and expenditure

Another significant development since 1998/99, is the growing shortfall between students' total income and their total expenditure because their expenditure has risen at a faster rate than their income. The shortfall between income and expenditure has grown in real terms by 57 per cent for students in London and by 67 per cent for those studying elsewhere. Moreover, far more London than non-London students experienced such a shortfall.

There is, however, no evidence in this study that students' standards of living have risen, despite their growing expenditure. Nor is there evidence that they are indulging in lifestyles that are more frivolous. In fact, increasingly large proportions of students in London have reduced certain elements of their expenditure by living at home with their parents. If it was not for this development, it is likely that the shortfall between London students' income and expenditure would have been greater. This is because, as we have seen, the student loan London allowances for those away from home do not cover the extra costs of living in London.

One of the results of this growing gap between students' income and expenditure and the inadequacy of student loans is that in 2002/03, 45 per cent of students in London and 42 per cent studying elsewhere had, what the government defines as poverty incomes.²⁸ Twice as many students were at risk of poverty incomes as similar households in the general population. Unsurprisingly, those most at risk come from the poorest families.

11.1.4 Housing arrangements

Students' housing arrangements are key to understanding both their income and their expenditure, and differences in students' finances in London and elsewhere. Now twice as many students studying in London as those studying elsewhere in England and Wales live with their parents. Since 1998/99, the proportion of London students living at home has increased by 12 per cent, from just over a quarter to two in five. By contrast, the proportion studying elsewhere and living at home only rose by three per cent, from one in six to one in five.

²⁷ R. Van Dyke, B. Little and C. Callender (forthcoming) *Debt, term-time work and attainment: higher education students' attitudes to debt and term-time working and their impact on attainment* Universities UK, London

²⁸ Poverty incomes are defined as those below 60% of the median household income. Data were derived from the Department for Work and Pensions (2003) *Households Below Average Incomes 1994/5-2001/02*, DWP and NS, London

London students' increasing propensity to live at home with their parents while studying has had a significant impact on their finances. Moreover, it heralds a very important change in its own right, especially in relation to students' behaviour and their university experience.

Research²⁹ shows that living at home is a class issue too. Students from lower social classes are more likely to live at home than those from more affluent backgrounds. The majority of students living at home do so for financial reasons, particularly to save money and minimise their debt. As our study shows, students in London could save up to £2,307 a year on their housing costs alone, by living with their parents. In addition, students living at home were less likely than other students to have taken out a student loan, and so could reduce their levels of debt too.

However, living at home in London is no longer a cheap option, as it once was. In 1998/99, the total average expenditure of London students living at home was £4,905 (at 2002/03 prices). Unsurprisingly, their total spending was less than that of other students studying in London who lived away from home and independently of their parents. More significantly, it was also lower than the expenditure of students studying outside of London, irrespective of these students' housing arrangements. By 2002/03, this was no longer the case. In 2002/03, the total expenditure of students studying in London who lived at home was £7,056. This was still lower than the expenditure of students living independently of their parents in London. However, it was higher than the total spending of students studying outside of London, irrespective of their housing arrangements. Hence, it was greater than non-London students living at home (£6,584), living in university provided accommodation (£6,516), or in other rented accommodation (£6,840). Consequently by 2003, the total expenditure of London students living at home had overtaken that of students studying elsewhere irrespective of their housing arrangements

Thus, between 1998/99 and 2002/03, the total expenditure of students studying in London who lived at home rose more than twice as fast, after controlling for inflation, as the total expenditure of other London students living independently of their parents - by 44 per cent compared with 19 per cent. And, it rose at a much faster rate than for students outside the capital living either at home with their parents (22%) or independently of them (12%) (Tables 12a and 12b).

These rises in expenditure for London students at home were linked to above average increases in participation and living costs. In particular, their expenditure on personal items and household goods grew at a much faster pace when compared with other students both in and outside of London (Tables 12a and 12b). In part, their growing expenditure was financed by their higher student loan take-up rates, which doubled from 36% in 1998/9 to 73% in 2002/03 (Table 6).

The net result of these changes is that between 1998/99 and 2002/03 London students living at home experienced larger increases in their total expenditure than other students in London, and all students living outside the capital, irrespective of their housing arrangements. This suggests that now it would be cheaper overall, for students living at home in London to study away from home outside of London.

²⁹ C Holdsworth (2003) *The choices and experiences of HE students living in the parental home*, http://www.liv.ac.uk/Geography/Html_use/research/grants/stay_at_home

Research suggests³⁰ that one of the consequences of living at home is an impoverished university experience. Students living at home miss out. They are less involved in student social life and university activities. Thus, the sharp rise in the proportion of London students living at home means their university life is becoming increasingly different to those studying outside of London.

In addition, students' choice of university and course are likely to be restricted by living at home. They can only attend a university within commuting distance of their home. London students' choices are less likely to be affected in this way than those living elsewhere in England and Wales. They have a large number and range of universities to choose from in London. However, they may feel forced to choose the 'cheaper' option of living at home and staying in London, when they would much prefer to leave London, and be more independent of their parents. Yet, living at home may well be the only way low-income students can afford to study in London.

Conversely, poorer students whose parents do not live within commuting distance of London may be unable to study in London for financial rather than academic reasons. Indeed, there is plenty of evidence that students make decisions about what university to attend and what to study based on financial considerations. Thus, groups of poorer students are likely to be priced out of studying in London.

These limitations to students' educational choices are completely contrary to the government's commitment to choice in education. Student choice is not a reality for these poorest students.

11.1.5 Parental contributions

The increasing proportion of students studying in London living at home along with the lower take-up of student loans among London students means that parents, especially those from minority ethnic groups, are shouldering much more of the costs of their children's higher education, unlike the parents of students studying outside the capital.

As we have seen, students living at home can 'save' well over £2,000 a year on their rent. In addition, they can 'save' on other living costs. Yet, the parental contributions of students in London have actually risen since 1998/99, while those of students studying elsewhere have fallen very dramatically. However, it is largely parents from the lowest income brackets that are continuing to have to meet these increasing costs – some of whom, probably, can ill afford to support their children in these ways.

11.2 The potential impact of the 2003 White Paper *The Future of Higher Education*³¹ and the 2004 Higher Education Bill

Examining changes over time in student finances and the impact of the 1998/99 legislation on students finances also can give us insights into the potential impact of the proposed reforms of student funding. These were first outlined in the government's White Paper - *The Future of Higher Education*, and subsequently incorporated in the 2003 Higher Education Bill.

³⁰ C. Holdsworth (2003) op cit

³¹ At the time of writing, there was a lot of speculation about what other changes, apart from those outlined in the 2003 White Paper, might be introduced but none had been confirmed.

The 2003 White Paper proposes the introduction of variable tuition fees of up to £3,000 a year and the re-introduction of a maintenance grant. In addition, at the time of writing, the government announced further changes to student funding.³² These reforms include:

- increasing the grant from £1,000 to £1,500 a year;
- providing students with a minimum bursary of £300 a year where a university charges the maximum tuition fees of £3,000;
- raising the level of student loans to the median level of students' basic living costs as reported in the Student Income and Expenditure Survey; and
- writing off all outstanding debts to the Student Loans Company after 25 years.

The government has also mooted the idea that the fee remission of £1,200 that low-income students receive should be converted into an up-front grant, bringing the grant to £2,700.³³

The details of the most recent changes were not available at the time of writing, so it is impossible to be precise about their potential impact. However, some general observations about their likely effects can be made.

11.2.1 Tuition fees

The proposed increase in tuition fees of up to £3,000 are likely to lead to further rises in student debt. Students will take out additional loans to repay their fees on graduation, on top of their loans for living expenses. However, the poorest students will receive a maximum of £1,200 fee remission (plus a £300 bursary) where their course costs £3,000.

This may change, however, if the fee remission is converted into a grant. In which case, **all** students, irrespective of their family income will have to pay some fees. Indeed, if this change is introduced it will create greater variability in tuition fees which will particularly affect the poorest students. At the time of writing, the poorest students do not have to pay the first £1,200 of their fees. Consequently, if they go to a university charging the maximum £3,000, they have to pay a further £1,800 (by using their new grants and bursaries and/or taking out additional loans). However, if the £1,200 fee remission is converted into an up-front grant, then they will have to pay the full £3,000 tuition fees. In turn, this may have an impact on universities' tuition fee pricing policies and students' choices.

Whatever happens, student debt arising from student loans will increase. Research suggests, however, that debt deters university entry. Debt averse students are five times more likely not to go to university than those with more relaxed attitudes to debt.³⁴

³² 'Higher Education reforms will protect students and graduates and give investment and freedom to universities – Clarke' (2004) Press Release, Department for Education and Skills, 8 January. These changes have been included in the 2004 Higher Education Bill, which was published at the end of January 2004, but had not been finalised when this report was written.

³³ This change is to be introduced in 2006/07. For details of the proposed change see DfES (2004) *Moving toward a single combined grant for higher education* 19 January

³⁴ C. Callender (2003) *Attitudes to debt: School leavers and further education students' attitudes to debt and their impact on attainment* Universities UK, London; C. Callender and J. Jackson (2003) *The impact of debt on participation in Higher Education: Further analysis* (forthcoming) Working paper, ESRC Families and Social Capital Research Group, London South Bank University, London

Debt aversion is another class issue. Fear of debt is greatest among the poorest and puts them off going to university more than the better off. Their debt aversion also has serious implications for government policy because these students are the very focus of their widening participation policies. The question is whether further rises in debt, resulting from top-up fees, will put even more poor students off university. Alternatively, will more generous grants change students' attitudes and behaviour?

Furthermore, research³⁵ suggests that fear of debt is related to applying to universities where the cost of living is lower. This is particularly the case for students from lower income groups, but is irrelevant to middle and upper class students. This clearly shows that financial issues intervene in students' decisions about which university to apply to. This is particularly significant for London universities.

11.2.2 Maintenance grant

The re-introduction of maintenance grants for the poorest students is a very significant improvement for these students. As we have seen from the above analysis, the abolition of the grants in 1998 has had a greater impact on the poorest students than the introduction of tuition fees.

Fewer students, however, will benefit from the new grant than under the old grant system, and they will get much less money. In addition, unlike grants under the old system, it appears that the level of grant will not vary depending on where students study and live. In other words, they will not compensate poorer students for the additional costs of studying in London.

Overall, it is questionable if the value of this new grant is adequate. It will not cover all the future increases in tuition fees. Students will have to obtain bursaries as well to cover all these costs. The grant is unlikely to be a large enough incentive to modify debt averse attitudes.

Most students in London with part-time jobs, especially those who attended new universities, came from low income families, or lived at home with their parents, earned more than £1,500 a year in 2002/03. Thus, the new grant may help some students to reduce their hours of paid work, but it is unlikely to be sufficient to stop all students working altogether. If the grant is increased to £2,700, more students may give up their term-time jobs. However, it is quite possible that some will continue working in order to avoid taking out a loan to meet their living costs. In other words, they may well try to survive solely on their grants. Consequently, these students' achievements will continue to be compromised by having to do paid work.

Nor is £1,500 likely to be sufficient to avert the growing trend for students in London to live with their parents while studying, although an increase to £2,700 might. As we have seen, London students who lived at home would need to spend an additional £2,300 on average on their housing to live independently of their parents. Low-income students will have to continue to attend their local university and live with their parents, if they want to minimise some of the costs of going to university. However, the grant may help reduce these students' debt.

£1,500 is unlikely to be enough to encourage low-income students from outside of London to come to London to study, although a more generous grant might. In 2002/03, the total average expenditure of students living away from home in private rented accommodation outside of London was £6,840, while the total expenditure of

³⁵ C. Callender and J. Jackson (forthcoming) *op.cit*

London students in similar accommodation was £8,582. In other words, it was £1,742 more expensive to study away from home in London than it was to study away from home outside the capital. In addition, the costs would be even greater for a student living outside London with their parents who wanted to move away from home and study in London - £ 1,998.

In other words, it is unlikely that the new grant, even if increased to £2,700, will have a radical impact on the composition of the student body in London, and who studies in London. Nor is it likely to change dramatically students' housing options in London. Despite the new grant, the government's commitment to choice in education, still may not be a reality for the poorest students.

11.2.3 Student loans

London students living away from home will particularly benefit from the government's commitment to increase student loans to meet their basic living costs. Student loans are to be increased in line with students' median expenditure on basic living costs as identified by the Student Income and Expenditure Survey. However, it is not clear exactly what is being defined as basic living costs or what is meant by the average student.

The new maximum loan in 2006/7 for London students living away from home and not in their final year will be £6,170, while for those in their final year it will be £5,620. Hence, by 2006/7 the London allowance for the poorest students not in their final year will be £1,765 and £1,545 for those in their final year. According to the DfES, with the decision to peg student loans to basic expenditure, London students not in their final year will be £865 better off, and final year students £1,020 better off.³⁶

By 2006/7, the maximum student loan for those living at home studying either in London or elsewhere will be £3,415 for those not in their final year, and £3,085 for students in their final year. However, all students who receive the enhanced grant of £2,700 will see their loans reduced by around £850.³⁷

The flat-rate loans for students living at home, irrespective of where in the country they study, do not acknowledge the additional costs of studying in London for those living with their parents while studying. This is a new emerging problem.

In 1998/99, the total expenditure of London students living at home was lower than that of students studying elsewhere who lived at home (£4,905 compared with £5,385 -at 2002/03 prices). Therefore, in 1998/99, London students spent on average nearly £500 less than students studying elsewhere did. By 2002/03, however, they were spending an average of £500 more than their peers outside London (£7,057 compared with £6,584).

The net result of these changes is that between 1998/99 and 2002/03, the average expenditure of London home-based students rose twice as fast as it did for similar students studying elsewhere. Their expenditure rose by 44 per cent in real terms, while non-London students' expenditure grew by just 22 per cent. Indeed, London students living at home saw larger increases in their total expenditure than students living away from home both in London and elsewhere did. This can be attributed to the steeper rises in their living costs, especially spending on personal and household items.

³⁶ *'Higher Education reforms will protect students and graduates and give investment and freedom to universities – Clarke'* (2004) Press Release, Department for Education and Skills, 8 January

³⁷ DfES (2004) *Moving toward a single combined grant for higher education* 19 January

11.2.4 Bursaries

According to the most recent government announcements, there will be no central requirement for universities to set aside money from additional fee income to provide bursaries. It will be left for universities to agree bursaries with the Office of Fair Access. With this softer requirement on universities to create bursaries, along with the rise in the level of the new grant, it is likely that fewer universities than was envisaged originally will provide very generous bursaries. Certainly, less of universities' total income derived from tuition fees will be devoted to bursaries.³⁸

At the time of writing, it is unclear exactly what bursaries will be available. The only ones that have been 'guaranteed' are £300 for the poorest 30 per cent of students where a university charges the maximum tuition fee of £3,000.

Bursaries will be left to the discretion of each university, rather than being an entitlement for all poorer students. Apparently, there will be no standardised criteria for their dispersion. It will be up to each university to decide their own criteria for allocating bursaries. Nor will there be a fixed formula for calculating the value of bursaries. Thus, each university will decide who to give bursaries to, and how much to give.

Thus, it is unknown which students will be eligible for these bursaries or how many will be eligible. Nor is it known whether all bursaries will be means-tested or how widespread they will be. It is unclear what other tests may be introduced to determine whether a student merits help, or what mechanisms, if any, will be introduced to ensure that the aid is distributed fairly and transparently.

Previous discretionary funding within universities, namely Hardship/Access Funds, demonstrates the problems associated with the use of such discretionary funding. Evidence suggests that there are likely to be inconsistencies and inequities in how the monies, and how much money, is allocated to students in similar circumstances with similar financial needs but attending different universities. It was for these reasons that the DfES are piloting the new Access to Learning Funds³⁹, which have developed a mechanism for assessing student hardship that all universities are to employ when disbursing the new funds. Moreover, this new addition to student support is likely to add to the complexity of student funding arrangements.

Therefore, it will be important to monitor the provision of bursaries in London and elsewhere, and chart exactly which students receive different types of aid, along with their impact on widening participation. Yet to date, there has been no commitment to undertake such an evaluation.

11.3 Conclusions

The unintended consequence of the 1998 student support reforms was to create greater inequalities between students, with poorer students in London and their families shouldering a greater burden of the overall costs of their higher education. It is open to question whether the government's future reforms will reverse this, or lead to widening participation.

³⁸ Higher Education Policy Institute (2004) *HE Bill and Statement: Implications of the Government's Proposals*, HEPI, Oxford

³⁹ The Access to Learning Funds are to replace Hardship funds.

For low-income students, higher education entails considerable social and economic risks, costs, financial hardship, insecurity, and no guarantees of success. These risks mediate low-income students' participation in higher education. It is not clear if the package of reforms as a whole will reduce these risks sufficiently to encourage the poorest to go to university, or effect their choice of university.

Top-up fees will increase both the costs of higher education for students and their debt. Both tend to deter low-income groups' participation. The new grant, while welcome, may not be adequate to offset all these rising costs and debt associated with going to university. There remains a gap between the amount of support on offer to poorer students and the level that truly would give them an equal chance of realising their academic potential, especially once their wariness of debt is fully acknowledged.

Clearly, the student funding system will become more complex and less transparent as result of some of the proposed reforms. At the moment, there appears to be a variety of income thresholds and eligibility criteria for grants, loans, and bursaries. This is despite the fact that one of the stated objectives of the original review of student funding arrangements, back in 2001, was to simplify them. Yet, such complexity can act as a barrier to participation.

The changing support system and regulations are hard to decipher. In addition, they are likely to become more confusing with the introduction of bursaries if each university provides a different level of bursary and has different eligibility criteria. As importantly, there appears to be a lack of 'joined up' support mechanisms to ease the transition from further education and schools, into higher education. For instance, the new HE grant will be worth more than the Educational Maintenance Allowances (EMAs) for 16-18 year olds. However, the income thresholds for receipt of these two grants are not the same. Consequently, students receiving the full EMAs will not automatically be eligible and guaranteed a full HE grant, should they decide to go to university.

This paper has shown how since 1998/99 the costs of being a student in London have risen nearly twice as fast as the costs of studying outside of London. Significantly, these costs have increased most of all for students in London who live at home with their parents. Their expenditure has escalated; it has risen twice as fast as the spending of those living at home but outside the capital. It has also risen faster than those living independently of their parents both in London and outside the capital.

Studying in London and living at home is no longer the cheapest way to study, as it was in 1998/99. Now it is more expensive to live at home and study in London, than it is to study away from home outside of London. The worrying conclusion is that it is now cheaper for **all** students to study outside the capital, and it makes more economic sense for them to do so.

Consequently, now more than ever before, being a full-time student in London may be impossible for some. Now it is so expensive, compared with studying outside London, that there is a danger that only students from more affluent backgrounds will be able to afford to study in London. For some time now, students from poorer backgrounds who are unable to live with their parents and/or who are debt averse, potentially have been priced out of studying in London.⁴⁰ Now, it appears that even students who can live with their parents while studying may be discouraged from

⁴⁰ See C. Callender and M. Kemp (2002) *op cit*

staying in London, or studying at all, because of the costs. Moreover, all these changes are happening before the introduction of higher tuition fees, which will raise the costs of higher education yet further.

As observed in the earlier report of students in London in 1998/99,⁴¹ the student population in London and the experiences of London students were becoming increasingly polarised along class, income, and ethnic lines. Minority ethnic students and others from low-income families, who lived at home and attended their local London university, had one experience. White students, and those from more well-off families who could afford to live independently of their parents and pay London rents, and who were not worried about building up large debts, had another experience.

The situation of students in 2002/03 is likely to exacerbate these trends. By 2002/03, twice as many students studying in London as those studying elsewhere lived at home with their parents. More students studying in London were from minority ethnic groups and far more London students, including minority ethnic students, were living at home with their parents. In addition, increasing numbers worked while studying, especially the poorest students. Thus, the London student population is likely to continue to be polarised on class and ethnic lines. Students from low-income families will still have one experience of studying in London, while those from more affluent backgrounds another.

As also suggested in the report of London students in 1998/99, to maintain a diverse student population, students studying in London need to be drawn from all areas of the country and all ethnic and income groups. This is vital for students, the future of higher education in London, and society as a whole. If certain universities rely increasingly on a local intake, minority ethnic students, and those from low-income backgrounds, while the others recruit nationally from a predominately better-off white population, there is a very real danger that universities in London will become segregated on class and ethnic lines. Social justice can be achieved only when all people, whatever their class or cultural background, have an equal opportunity to go to university and the university of their choice.

Moreover, the new reforms to student funding arrangements could entrench these ongoing trends. It has been suggested that these reforms may have the effect of raising new funding for the HE sector but by pricing poorer students out of the more prestigious institutions.⁴² Thus, the reforms will reassert elitism in higher education. Privileged students who populate top universities will pay high fees but will get highly valued degrees. Low income and access students who populate universities at the bottom of the hierarchy will pay less and get less but still end up with large debts. Both social class and disadvantage will be reinforced by these divisions between institutions and between students. There is a danger that higher education will become more socially and ethnically differentiated and polarised than ever before, and especially in London.

⁴¹ C. Callender and M. Kemp (2002) *op cit*

⁴² Catalyst (2003) *Higher education and Social Justice: A briefing on the government's proposals for reforming student finance* London

12 TABLES

Table 1 Maximum student loans in 2002/03

	Maximum available⁴³	75% that does not depend on income⁴⁴	25% that does depend on income⁴⁵
FULL-YEAR RATES			
Students living away from their parents' home and studying in:			
London	£4,815	£3,610	£1,205
Elsewhere	£3,905	£2,930	£975
Living with parents	£3,090	£2,320	£770
FINAL-YEAR RATES			
Students living away from their parents' home and studying in:			
London	£4,175	£3,130	£1,045
Elsewhere	£3,390	£2,545	£845
Living with parents	£2,700	£2,020	£680

Source: DfES (2002) Financial support for higher education students, DfES, London

Table 2 Sample Sizes

		1998/99	2002/03
Weighted			
England and Wales	N	1,466	1,249
London	N	229	225
Rest of England and Wales	N	1,237	1,024
Unweighted			
England and Wales	N	1,295	1,249
London	N	268	234
Rest of England and Wales	N	1,027	1,015

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

The data has been weighted to adjust for the fact that certain types of students were over-sampled to provide base sizes large enough for sub-group analysis. These weights ensure that the profile of the weighted sample is the same as the overall target student population.

For a more detailed breakdown of the profile of the unweighted sample compared to the student population in England Wales see Table 19.

⁴³ Available only to students whose parents' residual income is less than £30,502 per annum.

⁴⁴ Available to all students irrespective of their parents' residual income.

⁴⁵ Available to students whose parents' residual income is less than £30,502 per annum.

Table 2a Unweighted sample by ethnicity and type of university attended

	1998/99	2002/03
LONDON		
Ethnicity		
White	155	148
Not White	74	86
Uni. Type		
Old	131	77
New	98	157
NOT LONDON		
Ethnicity		
White	1183	943
Not White	54	72
Uni. Type		
Old	650	423
New	587	592

Table 3 Change in the real value of students' total income and sources of income between 1998/99 and 2002/3

Source of income	London			Not London		
	1998/99* £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Student loans						
Mean	1,531	2,682	76	1,526	2,592	70
Median	1,720	3,090		1,758	3,000	
Mandatory awards (grants for living costs)						
Mean	946	0	0	836	0	0
Median	723	0		834	0	
Hardship loans and funds						
Mean	46	75	63	22	68	209
Median	0	0		0	0	
Other sources of student support						
Mean	96	138	44	81	170	110
Median	0	0		0	0	
Paid work						
Mean	**1,031	1,432	39	**696	1,033	48
Median	**415	648		**257	600	
Family						
Mean	1,396	1,482	6	1,652	1,277	-23
Median	452	600		1,100	558	
Social security						
Mean	0	0	0	1	15	1400
Median	0	0	0	0	0	
Other income						
Mean	259	189	-27	365	252	-31
Median	13	0		33	22	
Total income over the academic year						
Mean	5,243	5,997	14	5,137	5,407	5
Median	5,049	5,750		4,986	5,270	
Base (N)	229	225		1,237	1,024	

* Increases in line with the underlying rate of inflation (RPIX).

** Increases in line with the Average Earnings Index.

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 4 Changes in the composition of students' income between 1998/99 and 2002/03

London				
Source of income	1998/99		2002/03	
	Mean income £	Percentage of total income %	Mean income £	Percentage of total income %
Student loans	1,392	29	2,682	45
Mandatory awards (grants for living costs)	860	18	0	0
Hardship loans and funds	42	1	75	1
Other student support	87	2	138	2
Paid work	881	18	1,432	24
Family	1,269	27	1,482	25
Social security	0	0	0	0
Other income	236	5	189	3
Total income over the academic year	4,766	100	5,997	100
Base (N)	229		225	
Not London				
Source of income	1998/99		2002/03	
	Mean income £	Percentage of total income %	Mean income £	Percentage of total income %
Student loans	1,387	30	2,592	48
Mandatory awards (grants for living costs)	760	16	0	0
Hardship loans and funds	20	*	68	1
Other student support	73	2	170	3
Paid work	595	13	1,033	19
Family	1,502	32	1,277	24
Social security	1	*	15	*
Other income	332	7	252	5
Total income over the academic year	4,670	100	5,407	100
Base (N)	1,237		1,024	

The percentage of income from this source is greater than zero but less than 0.5 per cent.

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 5 Changes working between 1998/99 and 2002/3

Source of income	London		Not London	
	1998/99	2002/03	1998/99	2002/03
Percentage of students working during the academic year	63.2	67.5	63.6	70.6
Percentage of students working during term-time only	56.0	60.3	43.3	57.1
Total hours worked during term-time				
Mean	309	375	253	290
Median	264	340	198	247
Real hourly pay for term-time hours worked*				
Mean	£5.42	£5.59	£4.87	£4.95
Median	£4.97	£5.00	£4.39	£4.50
Base (N)	229	225	1,237	1,024

* 1998/99 Increased in line with the Average Earnings Index.

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 6 Changes in the percentage of students taking out student loans between 1998/99 and 2002/3 by student characteristics

	London				Not London			
	1998/99		2002/03		1998/99		2002/03	
	N	%	N	%	N	%	N	%
All	229	63	225	79	1,237	74	1,024	85
High Social Class Groups	120	67	108	83	708	74	574	83
Low Social Class Groups	77	61	118	75	409	71	449	88
Lives with Parents	62	36	87	73	195	63	192	81
Lives elsewhere	167	73	139	82	1,042	76	831	86
White	155	70	137	81	1183	75	931	86
Not White	74	48	88	75	54	57	93	77
Old University	131	71	89	79	650	74	498	83
New University	89	52	137	79	587	74	525	87

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 7 Change in the real value of students' total expenditure and sources of expenditure between 1998/99 and 2002/3

Source of expenditure	London			Not London		
	1998/99* £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Participation Costs						
Mean	820	1,288	57	733	888	21
Median	599	1,105		438	645	
Housing Costs						
Mean	1,581	1,563	-1	1,303	1,219	-6
Median	1,846	1,544		1,440	1,508	
Living Costs						
Mean	4,011	4,985	24	3,868	4,584	19
Median	3,333	4,685		3,427	4,485	
Total expenditure over the academic year						
Mean	6,412	7,835	22	5,905	6,691	13
Median	5,831	7,888		5,553	6,519	
Base (N)	229	225		1,237	1,024	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 8 Changes in the composition of students' expenditure between 1998/99 and 2002/03

London				
Source of expenditure	1998/99		2002/03	
	Mean expenditure £	Percentage of total expenditure %	Mean expenditure £	Percentage of total expenditure %
Participation Costs	746	13	1,288	16
Housing Costs	1,437	25	1,563	20
Living Costs	3,646	63	4,985	64
Total expenditure over the academic year	5,829	100	7,835	100
Base (N)	229		225	
Not London				
Source of expenditure	1998/99		2002/03	
	Mean expenditure £	Percentage of total expenditure %	Mean expenditure £	Percentage of total expenditure %
Participation Costs	666	12	888	13
Housing Costs	1,185	22	1,219	18
Living Costs	3,517	66	4,584	69
Total expenditure over the academic year	5,368	100	6,691	100
Base (N)	1,237		1,024	

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 9 The number and proportion of students in different types of housing arrangements

	Live with Parents		University Provided accommodation		Other rented housing	
	N	%	N	%	N	%
	1998/99					
London	62	27	65	28	102	45
Not London	195	16	422	34	619	50
	2002/03					
London	87	39	42	19	96	43
Not London	192	19	321	31	511	50

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 10 Changes in the real value of housing costs between 1998/99 and 2002/3 by accommodation type

Live with Parents						
	1998/99*	London 2002/03	Percentage real change %	1998/99*	Not London 2002/03	Percentage real change %
Total housing costs over the academic year						
Mean	227	245	8	487	306	-13
Median	0	0		0	0	
University Provided Accommodation						
	1998/99*	London 2002/03	Percentage real change %	1998/99*	Not London 2002/03	Percentage real change %
Total housing costs over the academic year						
Mean	1,757	2,014	15	1,175	1,305	11
Median	1,930	2,554		987	1,640	
Private Rented Accommodation						
	1998/99*	London 2002/03	Percentage real change %	1998/99*	Not London 2002/03	Percentage real change %
Total housing costs over the academic year						
Mean	2,290	2,552	11	1,648	1,509	-8
Median	2,404	2,799		1,695	1,701	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

**Table 11 Changes in the real value of travel costs to and from university
between 1998/99 and 2002/3**

	London			Not London		
	1998/99* £	2002/03 £	Percentage real change %	1998/99 * £	2002/03 £	Percentage real change %
Total travel costs over the academic year						
Mean	366	606	66	333	427	28
Median	224	447		132	207	
Base (N)	229	225		1,237	1,024	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 12 Change in the real value of students' living expenditure and sources of living expenditure between 1998/9 and 2002/3

Source of Expenditure	London			Not London		
	1998/99 * £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Food						
Mean	1,252	1,217	-3	1,139	1,076	-6
Median	1,195	1,198		1,143	1,096	
Personal						
Mean	838	1,289	54	804	1,103	37
Median	732	1,231		699	1,039	
Entertainment						
Mean	1,156	1,269	10	1,237	1,435	16
Median	1,132	1,238		1,153	1,430	
Household Goods						
Mean	309	451	46	271	293	8
Median	62	210		66	174	
Travel						
Mean	435	637	46	406	550	35
Median	258	555		220	475	
Other						
Mean	19	121	611	11	126	1,045
Median	0	111		0	133	
Total living costs over the academic year						
Mean	4,011	4,985	24	3,868	4,584	19
Median	3,333	4,685		3,427	4,485	
Base (N)	229	225		1,237	1,024	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 12a Change in the real value of students' living expenditure and sources of living expenditure between 1998/9 and 2002/3 for students living at home

Source of Expenditure	London			Not London		
	1998/99 * £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Food	969	1,074	11	845	915	8
Personal	785	1,445	84	946	1,223	29
Entertainment	1,072	1,279	19	1,149	1,457	27
Household Goods	333	563	69	457	476	4
Travel	467	766	64	495	746	51
Other	9	101	1,122	18	104	578
Total living costs over the academic year	3,634	5,228	44	3,911	4,921	26
Total housing costs over the academic year	227	245	8	487	305	-37
Total participation costs over the academic year	1,044	1,583	52	987	1,358	38
Total costs over the academic year	4,905	7,056	44	5,385	6,584	22
Base (N)	62	87		195	192	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 12b Change in the real value of students' living expenditure and sources of living expenditure between 1998/9 and 2002/3 for students not living at home

Source of Expenditure	London			Not London		
	1998/99 * £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Food	1,356	1,306	-4	1,195	1,113	-7
Personal	857	1,192	39	777	1,075	38
Entertainment	1,187	1,263	6	1,253	1,430	14
Household Goods	301	381	27	236	251	6
Travel	424	556	31	389	505	30
Other	23	134	582	10	131	1,310
Total living costs over the academic year	4,150	4,832	16	3,860	4,506	17
Total housing costs over the academic year	2,083	2,387	15	1,456	1,430	-2
Total participation costs over the academic year	738	1,103	41	685	779	14
Total costs over the academic year	6,970	8,322	19	6,002	6,715	12
Base (N)	167	139		1,042	831	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 13 Total student borrowings and sources of borrowing in 2002/03

London				
Source of Borrowing	Percentage with borrowings %	Base (N)	Mean £	Median £
Commercial credit⁴⁶	22	50	238	0
Overdraft	55	123	603	200
Arrears	1	3	12	0
Informal Loans from Family and Friends	5	12	28	0
Outstanding Student Loan Debt	85	191	5,989	4,815
Outstanding Student Hardship Loan	8	19	38	0
Total Borrowings	89	201	6,909	5,668
Base (N)	225			
Not London				
Source of Borrowing	Percentage with borrowings %	Base (N)	Mean £	Median £
Commercial credit⁴⁷	24	250	218	0
Overdraft	67	684	748	600
Arrears	3	27	11	0
Informal Loans from Family and Friends	7	67	32	0
Outstanding Student Loan Debt	90	921	5,344	3,905
Outstanding Student Hardship Loan	8	78	34	0
Total Borrowings	94	966	6,387	5,490
Base (N)	1,024			

Base: All students

Source: South Bank University – Student Income and Expenditure Survey 2002/03

⁴⁶ This included bank loans, credit and store cards, and hire purchase.

⁴⁷ This included bank loans, credit and store cards, and hire purchase.

Table 14 Changes in all students' borrowings and sources of borrowings between 1998/99 and 2002/3

London				
	1998/99		2002/03	
	Amount £	Percentage of total borrowings %	Amount £	Percentage of total borrowings %
Commercial Credit	98	3	238	3
Overdraft	442	15	603	9
Arrears	17	1	12	*
Informal Loans from Family and Friends	12	*	28	*
Outstanding Student Loan Debt	2,407	81	5,989	87
Outstanding Student Hardship Loan	2	*	38	1
Total borrowings at the end of the academic year	2,978	100	6,908	100
Base (N)		229		225
Not London				
	1998/99		2002/03	
	Amount £	Percentage of total borrowings %	Amount £	Percentage of total borrowings %
Commercial Credit	145	4	218	3
Overdraft	621	19	748	12
Arrears	11	*	11	*
Informal Loans from Family and Friends	27	1	32	1
Outstanding Student Loan Debt	2,479	75	5,344	84
Outstanding Student Hardship Loan	2	*	34	1
Total borrowings at the end of the academic year	3,284	100	6,387	100
Base		1,237		1,024

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 15 Changes in students' anticipated debt, savings, and borrowings on graduation between 1998/99 and 2002/3

London				
	1998/99		2002/03	
	Amount £	Percentage of total borrowings %	Amount £	Percentage of total borrowings %
Commercial Credit	67	2	339	3
Overdraft	728	18	819	8
Arrears	8	*	2	*
Informal Loans from Family and Friends	33	1	41	*
Outstanding Student Loan Debt	3,157	79	9,563	88
Outstanding Student Hardship Loan	0	0	74	1
Total borrowings	3,993	100	10,838	100
Savings at End of Final Year	377		1,157	
Total debt on graduation	3,616		9,681	
Base (N)	45		73	

Not London				
	1998/99		2002/03	
	Amount £	Percentage of total borrowings %	Amount £	Percentage of total borrowings %
Commercial Credit	100	2	353	4
Overdraft	918	23	1,038	11
Arrears	14	*	17	*
Informal Loans from Family and Friends	37	1	31	*
Outstanding Student Loan Debt	2,974	74	7,704	84
Outstanding Student Hardship Loan	0	0	63	1
Total borrowings	4,043	100	9,206	100
Savings at End of Final Year	964		774	
Total debt on graduation	3,079		8,432	
Base (N)	297		319	

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 16 Changes in the real value of students' debt, savings, and borrowings on graduation between 1998/99 and 2002/3

	London			Not London		
	1998/99* £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Commercial Credit						
Mean	74	339	358	110	353	221
Median	0	0		0	0	
Overdraft						
Mean	801	819	2	1,010	1,038	3
Median	724	500		990	1,200	
Arrears						
Mean	8	2	-75	15	17	13
Median	0	0		0	0	
Informal Loans from Family and Friends						
Mean	36	41	14	41	31	-24
Median	0	0		0	0	
Outstanding Student Loan Debt						
Mean	3,473	9,563	175	3,271	7,704	136
Median	3,854	10,678		3,630	8,773	
Outstanding Student Hardship Loan						
Mean	0	74	-	0	63	-
Median	0	0		0	0	
Total borrowings						
Mean	4,392	10,838	147	4,447	9,206	107
Median	4,620	11,908		4,950	10,000	
Savings at End of Final Year						
Mean	414	1,157	179	1,060	774	-27
Median	0	0		0	0	
Total debt on graduation						
Mean	3,978	9,681	143	3,387	8,432	149
Median	4,479	11,239		4,424	9,478	
Base (N)	45	73		297	319	

*Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 17 Changes in the percentage of students' borrowing on graduation from different sources between 1998/99 and 2002/3

Source of Borrowing	London			Not London		
	1998/99 %	2002/03 %	Percentage points change %	1998/99 %	2002/03 %	Percentage points change %
Commercial Credit	20	25	5	25	34	9
Overdraft	70	58	-12	73	79	6
Arrears	6	2	-4	6	4	-2
Informal loans from friends and family	17	5	-12	11	9	-2
Outstanding Student Loan	74	90	16	80	91	11
Outstanding Student Hardship Loan	0	16	16	0	14	14
All Borrowings	86	91	5	88	97	9
Savings at End of Final Year	37	36	-1	38	39	1
Total debt on graduation	79	90	11	81	92	11
Base (N)	45	73		297	319	

Base: Final Year students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 18 Changes in the real value of incomings, outgoings and shortfall between 1998/99 and 2002/3

	London			Not London		
	1998/99* £	2002/03 £	Percentage real change %	1998/99* £	2002/03 £	Percentage real change %
Total income						
Mean	5,243	5,997	14	5,137	5,407	5
Median	5,049	5,750		4,986	5,270	
Withdrawal of Savings						
Mean	461	382	-17	474	395	-17
Median	0	0		0	0	
Increased Overdraft						
Mean	313	280	-11	449	425	-5
Median	0	0		220	200	
New commercial credit						
Mean	148	235	59	183	153	-16
Median	0	0		0	0	
Borrowings from friends and relatives						
Mean	14	28	100	29	32	10
Median	0	0		0	0	
Total incomings						
Mean	6,178	6,922	12	6,271	6,411	2
Median	5,925	6,649		5,907	6,243	
Total expenditure						
Mean	6,412	7,835	22	5,905	6,691	13
Median	5,831	7,888		5,553	6,519	
Increased Savings						
Mean	176	314	78	166	110	-34
Median	0	0		0	0	
Servicing commercial loans						
Mean	114	265	132	78	93	19
Median	0	0		0	0	
Total outgoings						
Mean	6,703	8,414	26	6,148	6,894	12
Median	5,945	8,138		5,662	6,609	
Total Shortfall (Outgoings-Incomings)						
Mean	525	1,492	184	-122	483	-
Median	272	1,245		-168	500	
Base (N)	229	225		1,237	1,024	

* Increases in line with the underlying rate of inflation (RPIX).

Base: All students.

Source: South Bank University – Student Income and Expenditure Survey 1998/99 and 2002/03.

Table 19 The profile of the unweighted sample compared with the student population (English & Welsh domiciles to English & Welsh HEIs, aged 25 or under at start of course on FT, UG courses of length 1-4 years)

UNWEIGHTED	Full-time students	
	Achieved sample	Student population in England and Wales*
	(%)	(%)
Gender:		
Men	47	47
Women	53	53
Ethnicity:		
White	87	85.5
Black	2	3.5
Asian / other	10	11
Fees:		
Full fees	43	43
Other	57	57
Region / age:		
London <21 years	15.9	13.8
London =21+ years	2.8	2.8
Other <21 years	74.1	76.7
Other =21+ years	7.1	6.7
Year of study:		
Year 1	35	38
Year 2	31	30
Year 3	31	24
Year 4	3	8
Type of university:		
New	48	41
Old	40	47
Institute of Higher Education	12	12

*Source: HESA 2000/01.

